

## Message Text

CONFIDENTIAL

PAGE 01 LONDON 00891 01 OF 05 222027Z

64/44

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 NEA-11 SSO-00 NSCE-00

INRE-00 USIE-00 CIAE-00 DODE-00 PM-07 H-03 INR-10

L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

OMB-01 TRSE-00 CIEP-02 IO-14 COME-00 FEA-02 DRC-01

/141 W

----- 051852

O R 211114Z JAN 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 7238

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 1 OF 5 LONDON 00891

STATE FOR T/IEP

C O R R E C T E D C O P Y FOR DTG 211114Z VICE 231929Z

E.O. 11652: GDS

TAGS: ENRG

SUBJECT: ENERGY: PREPARATIONS FOR INTERNATIONAL ENERGY

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 00891 01 OF 05 222027Z

CONFERENCE

REF: STATE 12410

SUMMARY: U.K. HAS WELCOMED U.S. PROPOSAL BUT BELIEVES IT ESSENTIAL THAT CONFERENCE LEAD TO EFFECTIVE CO-OPERATION WITH PRODUCERS WHICH WILL ASSURE SUPPLIES FOR CONSUMERS AT REASONABLE PRICES, ANSWER PRODUCERS DESIRES FOR INDUSTRIALIZATION AND MAINTAIN PACE OF DEVELOPMENT FOR LDC'S. BRITAIN IS PARTICULARLY CONCERNED THAT CONFERENCE NOT BE SEEN BY PRODUCERS AS ENCOURAGING CONSUMER/PRODUCER CONFRONTATION AND THUS WILL SEEK TO MAINTAIN MOMENTUM OF U.S. INITIATIVE, PAYING SPECIAL ATTENTION TO PRESENTATIONAL AND PROCEDURAL ASPECTS OF CONFERENCE. BRITISH ALSO CONCERNED BY PROSPECT OF HIGHER PRICES FOR CRUDE IN SHORT AND MEDIUM TERM, AND WILL ACTIVELY SUPPORT WAYS OF BRINGING ABOUT REDUCTION. BRITISH HOPE FIND MULTILATERAL ALTERNATIVE TO BILATERAL DEALS, BUT WILL GIVE FIRST PRIORITY TO ASSURING SUPPLY, THROUGH BILATERAL DEALS IF NECESSARY. BRITISH CERTAINLY CONSCIOUS OF NEED FOR SUCCESSFUL CONFERENCE, GIVEN FACT THAT CURTAILED SUPPLIES OF CRUDE AND MINERS' DISPUTE PRIMARILY RESPONSIBLE FOR SERIOUS ENERGY SHORTAGE THAT HAS CUT INDUSTRIAL PRODUCTION, INCREASED B/P CURRENT ACCT DEFICIT AND RAISED POSSIBILITY OF ELECTION. END SUMMARY.

1. (A) SUMMARY OF HOW U.K. VIEWS CONFERENCE IN OVERALL CONTEXT OF ENERGY CRISIS AND ITS MAJOR OBJECTIVES AT CONFERENCE - BRITISH SEE CONFERENCE AS COMING AT A MOMENT WHEN WORLD IS FACING A CRITICAL TEST OF ITS ABILITY TO ADJUST INTELLIGENTLY TO END OF ERA WHERE OIL WAS CHEAPEST, MOST FREELY AVAILABLE FUEL FOR INDUSTRIAL AND TRANSPORTATION PURPOSES. THEY BELIEVE PROBLEMS FACED BY DEVELOPING COUNTRIES, OIL PRODUCERS AND INDUSTRIALIZED CONSUMERS ARE DIFFERENT FACETS OF SAME SITUATION. DEVELOPING COUNTRIES NEED FINANCING WHICH MUST COME INCREASINGLY OUT OF OIL REVENUES OF PRODUCERS IN ORDER TO BUY GOODS FROM INDUSTRIALIZED COUNTRIES. PRODUCERS NEED FINANCIAL AND TECHNOLOGICAL EXPERTISE INDUSTRIALIZED COUNTRIES AND INTERNATIONAL AGENCIES HAVE TO OFFER IF PRODUCERS ARE TO ADAPT SUCCESSFULLY TO MODERN SOCIETY AND TAKE  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LONDON 00891 01 OF 05 222027Z

ADVANTAGE OF OPPORTUNITIES THEIR NEW WEALTH WILL GIVE THEM. INDUSTRIALIZED COUNTRIES NEED TO CONSERVE OIL AND OTHER FORMS OF ENERGY, REFRAIN FROM PANIC ACTION WHICH COULD BRING SLUMP IN WORLD TRADE, AND DEVELOP ALTERNATE ENERGY SOURCES AS RAPIDLY AS POSSIBLE. BRITISH BELIEVE INDIVIDUAL CONSUMER GOVERNMENTS HAVE CLEAR RESPONSIBILITIES IN THESE CIRCUMSTANCES, INCLUDING THE SAFEGUARDING OF THEIR IMMEDIATE

SUPPLIES OF OIL SO LONG AS CARE IS TAKEN NOT TO START  
PRICE SCRAMBLE. BUT BRITISH BELIEVE INTERNATIONAL  
COOPERATION IS ESSENTIAL TO SOLVING BROADER  
ISSUES INVOLVED, AND THUS GENUINELY SUPPORT U.S.  
PROPOSAL FOR MEETING OF MAIN CONSUMERS FOLLOWED BY  
MEETING OF CONSUMERS AND PRODUCERS.

2. MAJOR BRITISH OBJECTIVES AT CONFERENCE ARE LIKELY  
TO BE DEVELOPMENT OF FORMULAE ON PRICING ISSUES,  
TRADE AND INDUSTRIAL LINKS WITH PRODUCERS, INCENTIVES  
FOR OPEC STATES TO PRODUCE MORE OIL, INVESTMENT  
OPPORTUNITIES IN INDUSTRIALIZED AND PRODUCER STATES,  
AND COMBINING OF PRODUCER STATE MONEY AND  
INDUSTRIALIZED CONSUMER STATE EXPERTISE TO PROMOTE DE-  
VELOPMENT OF LDC'S. BRITISH WILL STRESS PRICE  
QUESTIONS AND RELATED MATTERS, E.G., ACTION TO CONTROL  
COMPETITIVE BIDDING, POSSIBLY THROUGH HARMONIZATION  
OF IMPORT CONTROLS, OR ALLOCATION, RATIONING OR  
GDS  
ANNENBERG

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 LONDON 00891 02 OF 05 211242Z

42

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 SSO-00 NSCE-00 INRE-00

USIE-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20 OMB-01

TRSE-00 CIEP-02 IO-14 COME-00 FEA-02 DRC-01 NEA-10

/140 W

----- 034548

O R 231929Z JAN 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 7239

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO  
AMEMBASSY OTTAWA  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY TOKYO  
AMEMBASSY THE HAGUE  
USMISSION EC BRUSSELS  
USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 02 OF 05 LONDON 00891

PETROLEUM PRODUCT PRICING SCHEMES; ALIGNMENT OF PRICES OF MANUFACTURED GOODS SOLD TO PRODUCER STATES; AND HARMONIZATION OF CONSUMER GOVERNMENT EXCISE AND OTHER TAXES, INCLUDING OIL COMPANY TAXATION AND PROFIT QUESTIONS.

3. SO FAR AS EC MEMBER STATE BEHAVIOR VIS A VIS CONFERENCE IS CONCERNED, BRITISH HAVE CHARACTERIZED ALL BUT FRENCH AS ENTHUSIASTIC AT PROSPECT OF FEBRUARY 11 MEETING. BUT THIS DOES NOT MEAN MAJORITY CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 00891 02 OF 05 211242Z

ARE COMMITTED TO U.S. IDEAS ABOUT WHAT SHOULD RESULT FROM CONFERENCE. BRITISH EXPECT THERE WILL BE SUBSTANTIAL EC COORDINATION AND POOLING OF VIEWS BEFORE CONFERENCE SO THAT COUNCIL PRESIDENT SCHEEL WILL BE ABLE TO SPEAK ON SOME ISSUES AS EC SPOKESMAN. WHERE NO AGREEMENT REACHED, EACH MEMBER WILL SPEAK FOR ITSELF. BRITISH EXPECT NO "RESERVED AREAS" TO EMERGE FROM COORDINATION PROCESS SINCE IN ALL LIKELIHOOD THERE WILL BE NO PRIOR AGREEMENT ON COMMON EC ENERGY POLICY ISSUES WHICH EC WOULD THEN HAVE TO DEFEND AS A BLOC IN WASHINGTON.

4. (B) SPECIAL SENSITIVITIES OF U.K. IN ENERGY AREA PARTICULARLY IN CONTEXT OF CONFERENCE - BRITAIN IS DEPENDENT ON OIL FOR ROUGHLY HALF ITS ENERGY REQUIREMENTS, AND ON ARAB PRODUCER STATES FOR APPROXIMATELY TWO-THIRDS OF ITS OIL NEEDS. OTHER OPEC COUNTRIES SUPPLY REMAINDER. BRITISH ARE ACCORDINGLY AS SENSITIVE AS OTHER EUROPEANS AND JAPANESE ABOUT AVOIDING APPEARANCE OF A PRODUCER-CONSUMER CONFRONTATION AND WILL KEEP WEATHER EYE ON PRODUCER REACTIONS TO CONFERENCE. IN ADDITION TO THIS OBVIOUS REASON FOR NOT WANTING CONFERENCE TO APPEAR TO ENCOURAGE CONFRONTATION, BRITISH BELIEVE CONFERENCE WILL NOT SUCCEED AT ALL IF IT DOES NOT PROPERLY SOLICIT AND WIN PRODUCER COOPERATION. BRITISH SEE ENTIRE ENTERPRISE IN DANGER OF FAILING IF IMPORTANT PRESENTATIONAL OR COSMETIC REQUIREMENTS NOT MET. THEY TEND TO STRESS THE DIALOGUE WITH PRODUCERS AND THE INTERESTS OF DEVELOP-

ING COUNTRIES MORE HEAVILY THAN MOBILIZATION OF MAIN CONSUMER GOVERNMENTS. BRITISH MIGHT FIND IT DIFFICULT TO REJECT OUTRIGHT A MORE GLOBAL APPROACH AS ADVOCATED BY FRENCH, SPANISH, KUWAITIS, ETC. ALTHOUGH

THEY WOULD AVOID IF POSSIBLE FORMATION OF NEW U.N. INSTITUTION, BRITISH COULD ACCEPT, AGAINST THEIR BETTER JUDGMENT, DEMANDS FOR A WORLD ENERGY CONFERENCE OR PERHAPS AN OPEC-OECD DIALOGUE AS ADVOCATED BY SHAH. HMG STRONGLY AGREES ON UNACCEPTABILITY OF OPEC PRICE DECISIONS AND CONSEQUENT NEED FOR PRICE ROLLBACK OR DELAY, BUT HAS NOT YET COME UP WITH CLEAR FORMULA TO ACHIEVE SUCH ROLLBACK OR DELAY. SOME HMG OFFICIALS HAVE SAID

CONFIDENTIAL

PAGE 03 LONDON 00891 02 OF 05 211242Z

THAT US STATEMENTS THAT CAN BE INTERPRETED AS "SABER-RATTLING" ARE COUNTERPRODUCTIVE VIS-A-VIS MORE CAUTIOUS CONSUMERS SUCH AS JAPANESE AND HAVE-NOTS, AS WELL AS WITH PRODUCERS. MOREOVER, WHILE BRITAIN WOULD LIKE A PRICE ROLLBACK, THEY ARE SKEPTICAL ABOUT CHANCES FOR ACHIEVING IT AND IN ANY CASE BELIEVE ROLLBACK ARGUMENT SHOULD NOT BE EXPRESSED PUBLICLY LEST MORE MILITANT PRODUCER STATES BE AFFORDED PREMATURE OPPORTUNITY TO COMPEL MODERATES TO ASSUME HARDER LINE. BRITISH FEEL PUBLIC ARGUMENTATION SHOULD EMPHASIZE POTENTIAL OF HIGHER PRICES LEADING TO WORLDWIDE DEPRESSION, WHICH WOULD DAMAGE PRODUCERS AND CONSUMERS ALIKE. BRITISH BELIEVE WE MIGHT AIM IN LATER MEETINGS WITH PRODUCERS AT NEGOTIATING IN PRIVATE WITH PRODUCERS WAYS TO MITIGATE FINANCIAL CONSEQUENCES AND ALSO EXPLORE POSSIBILITY OF INSTITUTING NEW PRICING SYSTEM WHICH COULD ENCOMPASS PRICE ROLLBACK.

5. BRITISH ALSO ARE EXTREMELY SENSITIVE TO CRITICISM OF THEIR RECENT BILATERAL TALKS ON ASSURED OIL SUPPLIES WITH SAUDIS, IRANIANS AND OTHER PERSIAN GULF STATES. THEY STATE THAT IN BRITAIN'S CURRENT FUEL CRISIS, WHICH SERIOUSLY AFFECTS DOMESTIC COAL PRODUCTION, AS WELL AS IMPORTED OIL, BRITISH WILL OF NECESSITY TRY TO LAY ITS HANDS ON ANY OIL IT CAN GET OVER SHORT-TERM AS LONG AS PRICES NOT INFLATED AND OIL DOES NOT LEGITIMATELY BELONG TO OIL COMPANIES OR OTHERS. BRITISH ALSO NOTE THAT THEY HAVE NOT INITIATED THESE TALKS BUT ARE RESPONDING TO PRODUCER INITIATIVES. THEY SAY THIS IS BEING DONE IN A WAY WHICH WILL HELP DEFINE WHAT THE LINKAGE BETWEEN INDUSTRIAL COOPERATION AND OIL SOUGHT BY PRODUCERS ACTUALLY MEANS. BRITISH STATE THEY ARE READY, IN PRINCIPLE, FOR ESTABLISHMENT OF MULTILATERAL FRAMEWORK, EITHER WITHIN EC OR AT WASHINGTON CONFERENCE, WHICH WILL SET GUIDELINES FOR SHORT AND MEDIUM BILATERAL DEALS.

GDS

ANNENBERG

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 LONDON 00891 03 OF 05 211310Z

44

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 SSO-00 NSCE-00 INRE-00

USIE-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20 OMB-01

TRSE-00 CIEP-02 IO-14 COME-00 FEA-02 DRC-01 NEA-10

/140 W

----- 034814

O R 231947Z JAN 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 7240

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 03 OF 05 LONDON 00891

PRESUMABLY, UK EXPOSITION ON THIS ISSUE WILL EMPHASIZE THAT CLOSER INVOLVEMENT OF CONSUMER AND PRODUCER GOVERNMENTS WITH OIL COMPANIES EXCLUDED FROM BARGAINING PROCESS APPEARS TO BE IRREVERSIBLE TREND. PRODUCERS NOW ARE IN DRIVER'S SEAT, PARTICULARLY AS REGARDS EUROPE AND JAPAN, AND THEY WANT GOVERNMENT TO GOVERNMENT AGREEMENTS WITHOUT OIL COMPANIES DIRECTLY INVOLVED IN BARGAINING.

6. MOST EFFECTIVE WAY OF HANDLING BRITISH SENSITIVITIES

MIGHT BE FOR US TO CONCENTRATE ON NEED TO MAINTAIN SOLID  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 00891 03 OF 05 211310Z

FRONT OF CONSUMERS IN SEEKING THROUGH QUIET NEGOTIATION  
WITH PRODUCERS ARRANGEMENTS TO ASSURE SUPPLIES TO DELAY  
OR ROLLBACK PRICE INCREASES. IN DISCUSSIONS WITH BRITISH  
ON BILATERALISM, WE SHOULD POINT OUT THAT BILATERAL  
DEALS ONLY ENCOURAGE PRODUCERS TO INCREASE PRICES. WE  
SHOULD AVOID PUBLIC CALLS OR DEMANDS FOR PRICE ROLLBACKS  
WHICH MIGHT APPEAR CONFRONTATIONAL IN TONE. IF WE  
OBSERVE THESE BRITISH SENSITIVITIES, WE MAY WELL OBTAIN  
BRITISH SUPPORT FOR U.S. SUBSTANTIVE APPROACH TO PRICING  
ISSUES AND BILATERAL OIL DEALS. BRITISH APPEAR TO BE  
MORE AMENABLE THAN MANY TO ACCEPTING FEASIBLE, NON-  
CONFRONTATIONAL PRICING FORMULAE, GIVEN DISASTROUS  
BALANCE OF PAYMENTS EFFECTS HIGHER PRICES MAY CAUSE  
BETWEEN NOW AND 1980, WHEN NORTH SEA IS EXPECTED TO  
MAKE U.K. CLOSE TO SELF-SUFFICIENT IN OIL AS WELL AS  
GAS. IN THIS CONNECTION, MANY BRITISH OFFICIALS  
ACKNOWLEDGE PRIVATELY THAT IT WOULD BE UNFORTUNATE  
PRECEDENT IF BARTER DEALS,  
DESIGNED TO ASSURE SUPPLIES OF CRUDE IN RETURN FOR  
SCARCE MANUFACTURED GOODS SUCH AS CERTAIN STEELS,  
DISTORTED NORMAL PATTERNS OF WORLD TRADE. MOREOVER,  
WITHIN FRAMEWORK OF BARTER DEALS, PRODUCERS MIGHT  
GET SUBSTANTIALLY BETTER TERMS OF TRADE THAN WOULD BE  
CASE IF PROCEEDS OF CRUDE SALE ON OPEN MARKET USED  
TO PURCHASE INDUSTRIAL EXPORTS AT WORLD PRICES.

7. (C) BACKGROUND INFORMATION ON IMPACT OF ENERGY  
CRISIS ON U.K. ECONOMY, INTERNAL POLITICAL SITUATION  
AND INTERNATIONAL POSTURE - EFFECTS OF OIL SHORTAGE  
AND COAL MINERS' DISPUTE, WHICH HAS REDUCED DOMESTIC  
COAL PRODUCTION BY OVER 30 PERCENT, HAVE BEEN TRAUMATIC.  
THE NECESSITY TO LIMIT SUPPLIES OF ELECTRICITY  
HAS FORCED GOVERNMENT TO DECLARE A THREE-DAY INDUSTRIAL  
WORKWEEK AND BROUGHT COUNTRY TO BRINK OF RECESSION  
AND POSSIBLE GENERAL ELECTION.

HMG IS MAKING DETERMINED  
EFFORT TO SETTLE MINERS' DISPUTE BY STRETCHING BUT  
NOT BREAKING ITS WAGE-PRICE CONTROL SCHEME WHILE  
ATTEMPTING WITH ALL POWERS AVAILABLE TO IT TO PERSUADE  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LONDON 00891 03 OF 05 211310Z

PRODUCER STATES AND OIL COMPANIES TO PROVIDE BRITAIN WITH MORE OIL. INCREASES IN OIL PRICES ANNOUNCED IN OCTOBER AND LATE DECEMBER ARE EXPECTED TO ADD 1.8-2 BILLION POUNDS TO U.K. IMPORT BILL AND TO INCREASE B/P CURRENT ACCOUNT DEFICIT TO 2.4-3 BILLION POUNDS FOR 1974. HOWEVER, OVER LONGER TERM, BRITAIN IS IN RELATIVELY STRONG POSITION, PROVIDED IT CAN SOLVE ITS INDUSTRIAL RELATIONS PROBLEMS. BY 1980 ALL BUT 10 PERCENT OF ENERGY REQUIREMENTS SHOULD BE MET FROM INDIGENOUS SOURCES.

8. BRITAIN SUFFERED CLOSE TO 25 PERCENT OIL SHORTFALL IN DECEMBER WITH JANUARY ESTIMATE AT 10 TO 15 PERCENT SHORTFALL. THEY CAN ABSORB UP TO 10 PERCENT CUT IN OIL SUPPLIES WITHOUT LOSS OF PRODUCTION OF MORE THAN 1 OR 2 PERCENT BUT AN ADDITIONAL CUT OF 10 PERCENT IN OIL SUPPLIES COULD RESULT IN REDUCTION OF GNP OF 7 PERCENT. BEST ESTIMATE TAKING INTO ACCOUNT EFFECTS OF INDUSTRIAL DISPUTES, COAL MINERS' BAN ON OVERTIME, ETC., IS OVERALL DECLINE IN GDP IN RANGE OF ZERO TO MINUS 3 TO 4 PERCENT FOR YEAR 1974. PROSPECTS FOR SUBSTANTIAL GDS

ANNENBERG

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 LONDON 00891 04 OF 05 211320Z

44

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 SSO-00 NSCE-00 INRE-00

USIE-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20 OMB-01

TRSE-00 CIEP-02 IO-14 COME-00 FEA-02 DRC-01 NEA-10

INT-08 /148 W

----- 034923

O R 231947Z JAN 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 7241

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN



AMEMBASSY DUBLIN  
AMEMBASSY LUXEMBOURG  
AMEMBASSY OSLO  
AMEMBASSY OTTAWA  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY TOKYO  
AMEMBASSY THE HAGUE  
USMISSION EC BRUSSELS  
USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 04 OF 05 LONDON 00891

UTILIZATION OF NORTH SEA OIL ARE MINIMAL BEFORE 1975  
ALTHOUGH UP TO 20 PERCENT OF CONSUMPTION NEEDS MAY BE  
SUPPLIED BY 1976-77. IMPACT OF OIL PRICES WILL BE TO  
ADD TWO TO FOUR PERCENTAGE POINTS TO CONSUMER PRICE  
LEVEL IN 1974, ASSUMING OIL PRICE OF \$8.50 A BARREL.  
INFLATION RATE FOR 1974 PROBABLY WILL BE 13 TO 15  
PERCENT AS CONSEQUENCE OF OIL PRICE INCREASES PLUS OTHERS,  
INCLUDING DOMESTIC INFLATIONARY TENDENCIES.  
9. INDUSTRIES AFFECTED PRIMARILY BY THE ENERGY SHORTAGE  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 00891 04 OF 05 211320Z

INCLUDE STEEL AND MASS PRODUCED STEEL GOODS, E.G., AUTOS  
CEMENT, FERTILIZERS, CHEMICALS, IRON CASTINGS, BRICKS  
AND FIRECLAYS, BUILDING MATERIALS. SHORTAGES OF THESE  
MATERIALS WILL SUBSTANTIALLY AFFECT INDUSTRIAL PRO-  
DUCTION IN THE U.K. BEYOND OBVIOUS CONCLUSION THAT  
ENERGY INTENSIVE PRODUCTS WILL DECLINE IN IMPORTANCE  
AND COAL WILL BECOME GREATER IMPORTANCE WITH HIGHER  
RETURNS TO FACTORS OF PRODUCTION, THERE IS LITTLE THAT  
WE CAN SAY AT PRESENT ABOUT THE IMPACT OF THE ENERGY  
CRISIS ON THE STRUCTURE OF U.K. INDUSTRY.

10. THE OUTLOOK IS FOR A RESTRICTIVE GOVERNMENT  
BUDGET TO BE INTRODUCED IN MARCH OR APRIL. TO THE  
EXTENT POSSIBLE, RESOURCES WILL BE SHIFTED TO SUB-  
STITUTE FOR IMPORTS OR TO INCREASE EXPORTS. MONETARY  
POLICY WILL CONTINUE TO BE TIGHT, BUT SOME SELECTIVE  
EASING MAY TAKE PLACE TO EASE CASH FLOW PROBLEMS DUE  
TO THE THREE DAY WEEK. EVEN SO, BANKRUPTCIES WILL  
INCREASE, STERLING INTEREST RATES WILL GO EVEN HIGHER  
- PERHAPS TO 17-18 PERCENT FOR SIX MONTH MONEY, AND  
SPECIAL ARRANGEMENTS MAY BE INSTITUTED TO CUSHION  
THE IMPACT ON FAVORED OR SOCIALLY SENSITIVE  
SECTORS, SUCH AS HOUSING.

11. (D) U.K. ENERGY FACT SHEET -  
PERCENTAGE OF U.K. ENERGY CONSUMPTION BY TYPE:

PETROLEUM	48 PERCENT
COAL	35 PERCENT
NATURAL GAS	12 PERCENT
NUCLEAR POWER	4 PERCENT
HYDROELECTRIC	LESS THAN 1 PERCENT

CRUDE PETROLEUM IMPORTS BY COUNTRY (JANUARY-SEPTEMBER 1973):

(MILLIONS OF TONS)

SAUDI ARABIA	19.6
IRAN	17.1
KUWAIT	14.5
LIBYA	8.5
NIGERIA	6.3
QATAR	3.1

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LONDON 00891 04 OF 05 211320Z

VENEZUELA	2.9
ALGERIA	1.8
ABU DHABI	1.6
IRELAND	1.6
IRAQ	1.5
OMAN	1.3
OTHERS	3.0
TOTAL:	82.8

PETROLEUM PRODUCT IMPORTS (JANUARY-SEPTEMBER 1973):

(MILLIONS OF TONS)

GDS  
ANNENBERG

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 LONDON 00891 05 OF 05 211319Z

44  
ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 SSO-00 NSCE-00 INRE-00

USIE-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20 OMB-01

TRSE-00 CIEP-02 IO-14 COME-00 FEA-02 DRC-01 NEA-10

INT-08 /148 W

----- 034944

O R 231947Z JAN 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 7242

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 05 OF 05 LONDON 00891

NETHERLANDS	4.3	
FRANCE	2.7	
NETHERLANDS ARTILLES	1.8	
VENEZUELA	1.5	
ITALY	1.3	
WEST GERMANY	1.2	
OTHER	3.1	
TOTAL:	15.9	

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 00891 05 OF 05 211319Z

COAL IMPORTS (JANUARY-SEPTEMBER 1973):  
(THOUSANDS OF TONS)

U.S.	691	
AUSTRALIA	187	
POLAND	51	
NETHERLANDS	46	
WEST GERMANY	38	
BELGIUM	27	
IRELAND	24	
OTHER	19	
TOTAL:	1,083	

BALANCE OF PAYMENTS

AT THIS POINT WE HAVE ESTIMATED ONLY EFFECT ON CURRENT  
ACCOUNT OF OIL PRICE INCREASES AND SHORT SUPPLIES.  
THERE WILL BE A SUBSTANTIAL OFFSETTING INFLOW ON  
CAPITAL ACCOUNT AS A RESULT OF THE INCREASED REVENUES  
TO PRODUCERS FROM OIL, BUT WE CANNOT YET ESTIMATE ITS  
SIZE.

IH (BILLIONS OF POUNDS)

1973 1974

(FIRST 11 MONTHS)

TRADE	MINUS 1.9	MINUS 3.5 TO 4.0
INVISIBLES	PLUS .7	PLUS .8 TO 1.1
CURRENT ACCT	MINUS 1.2	MINUS 2.4 TO 3.1

ANNENBERG

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 21 JAN 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974LONDON00891  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** RR  
**Errors:** N/A  
**Film Number:** n/a  
**From:** LONDON  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740126/aaaaayiw.tel  
**Line Count:** 616  
**Locator:** TEXT ON-LINE  
**Office:** ACTION EB  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 12  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 23 JUL 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <23-Jul-2001 by maustmc>; APPROVED <29 MAY 2002 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ENERGY: PREPARATIONS FOR INTERNATIONAL ENERGY  
**TAGS:** ENRG  
**To:** SECSTATE WASHDC BONN BRUSSELS COPENHAGEN DUBLIN LUXEMBOURG OSLO OTTAWA PARIS  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005